



Gray Davis, Governor
State of California
Business, Transportation and Housing Agency

980 9th Street
Suite 500
Sacramento, CA 95814-2725
916-324-8176 voice
916-322-2579 fax

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To: ALL INTERESTED PARTIES

From: Department of Managed Health Care

The following is a brief summary of the comments and events that occurred during the Financial Solvency Standards Board (FSSB) meeting June 18, 2002.

I. Introduction: Opening remarks

Prior meeting minutes were approved and adopted by the Board members.

II. Board/Stakeholder Discussion Regarding SB 260 Next Steps

1. Department staff overviewed the "SB 260 RBO Public Disclosure Alternatives" matrix prepared for the purpose of soliciting comments on the anticipated affect that various disclosure formats may have on the integrity of the contract negotiation process between risk-bearing organizations and their contracting health plans.

2. Public Comment:

A. Provider perspective: (1) Option 1, Met/Not Met does not adequately identify progress that groups are making toward meeting standards. (2) With some modifications, provider groups could support Option 2; since it reflects the relative magnitude of an organization's financial deficiencies, which is consistent with the original goals of SB 260. (3) Providers oppose Options 3 and 4 because the disclosures would impact an RBO's ability to operate, both in terms of contracting process with plans, but also with member physicians. (4) The most important indicator of a medical group's financial viability is whether the RBO is paying its claims timely. For this reason, the Department should disclose to the public the actual percentage claims that each group has paid in a timely manner. (5) Providers support a grading system indicating how close or how far away a group is from meeting the statutory standards. (6) Including a plus or minus sign under Option 2 to reflect whether a group has made progress would be helpful information for consumers and plans. (7) Providers would not oppose the disclosure of aggregate information. (8) The

timely claims payment and IBNR disclosures under Option 2 are the two most important criteria.

B. Plan perspective: (1) Plans must maintain access to the financial information of RBOs to adequately monitor their ability to assume the risk assumed under their contracts and to remain compliant with their current regulatory obligations. Any limits on public disclosure should not impair the plan's ability to review the financial information of RBOs as part of its contractual obligations so long as the disclosure of this information does not adversely affect the integrity of the contract negotiation process. Generally, plans collect aggregate financial data from RBOs, not plan-specific financial data, so the likelihood of impacting the integrity of the contract negotiation process is greatly reduced. (2) Plans oppose CMA's proposal providing for on-site reviews by plans; because this significantly increases administrative costs, by requiring health plans to send audit teams throughout the state to review an RBO's financial information on site every quarter. (3) Plans decline to take a position on what specific information the public should receive, but suggest the Director consider implementing two information disclosures standards differentiating between what the plan and the public is entitled to receive. (4) Full public disclosure may harm consumer choice and accessibility if a financially weak RBO, plan is in the process of corrective action and consumers prematurely seek alternative providers thereby negatively impacting the organization's ability to correct financial deficiencies.

C. Consumer perspective: (1) Option 1, Met/Not Met will result in greater public confusion. Rather than informing the public of the true financial viability of a medical group, the lumping medical groups in broad undefined categories, without the underling financial data will result in financially troubled medical groups being reflected as viable entities. (2) Consumers support consideration of a disclosure framework consistent with the health plan disclosure protocol that includes a petition process where RBOs could petition the Department to withhold specific information based upon a demonstration of actual harm to the integrity of the medical group's contract negotiation process with health plans. (3) Consumers support the recently introduced legislation (AB 684) that deletes the limiting language, "affect on the integrity of the contract negotiation process between the organization and its contracting health plans" from the section of the statute that applies to public disclosure.

III. Update on the Stakeholder Proposal to Develop a Voluntary Financial Reporting and Disclosure Mechanism

1. Stakeholders held a number of telephone conferences and meetings to discuss the concept of implementing a voluntary financial reporting and disclosure mechanism.

A. One unresolved issue is whether a voluntary reporting process that permitted the Department to audit the results of the financial filings would result in a loss of confidentiality protections. The intention is to make summary financial information available to the public, but the results of the Department's audit activities confidential. The parties are exploring some alternatives that would allow stakeholders to feel confident that this process will result in a fair representation of the RBOs financial condition.

B. There may be an opportunity if groups are able to work out arrangements with the health plans to have a third party have a great deal more information.

C. Consumer groups are not satisfied with minimal disclosure and continue to believe that RBO financial information should be available for public inspection.

2. Public Comment

A. Plan perspective: (1) Given the great gulf between the providers and the consumers as far as data disclosure, plans do not anticipate the voluntary program will fulfill the obligations of SB 260. For now, a voluntary reporting mechanism has a limited purpose. Conceivably, if the Department is unable to promulgate revised regulations that can withstand a court challenge, then maybe a voluntary reporting mechanism can become a viable alternative. (2) Need to have consensus on what kind of information is collected, what levels, and who gets it and when. (3) Plans must retain the ability to access an RBO's raw financial data if financial problems arise to meet their statutory obligations.

IV. Next Steps/Closing Remarks

1. The next Solvency Board meeting will be held on Tuesday, July 30, 2002 at the State Department of Consumer Affairs in Sacramento.

2. Following closing remarks, the meeting was adjourned.